

**Testimony before the Little Hoover Commission  
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**Six Guiding Principles for the Successful Enterprise Management of Information  
Technology at the State Level**

My comments assume there is an enterprise Information Technology (IT) manager that I will call the Chief Information Officer (CIO), and that there is an enterprise IT plan for which the CIO is responsible. I assume that success means that all stakeholders agree that IT is enabling an efficient and effective 21<sup>st</sup> century government.

I held the position of CIO for the state of Texas from 1994 through 2003. In that position, I served as executive director of an independent agency that operated as a kind of corporate headquarters for IT in state government. I reported to a board of directors who hired me. Since Texas has a constitutionally weak governor, most of my strength was derived from legislative action, including the enabling statute. These guiding principles are distilled from my own experience in that role and from observing my fellow CIOs in local, state and federal government and in the private sector.

**Guiding Principle #1 – Alignment with the Business of Government**

The value of IT in government can be maximized only when it is serving the business of government. In state government, the CIO should be placed highly enough in the organization to convey the imprimatur of the Chief Executive and to have a place at the executive table when business discussions occur. A governing board representing all stakeholders should meet regularly in a public forum to advise the CIO on policy issues. In addition to executive branch members, legislators should be included on the board to incorporate their views and promote understanding of enterprise IT objectives across government.

**Guiding Principle #2 – The Power of the Pocketbook**

In order for the enterprise CIO to insure adherence to enterprise policies, plans and standards, the CIO must have influence over the appropriation of funds for IT projects. Although some success can be attained through persuasion or fiat, consistent effectiveness is best achieved by control of the purse strings.

**Guiding Principle #3 – Rigorous Investment Management**

Applying portfolio management principles to investment in IT can enforce rigor in selecting projects for implementation. Projects that are candidates for funding should identify their return on investment in real dollars or social value. Each candidate project should project risks associated with the difficulty of the project and the likelihood of

achieving the proposed return on investment. Finally, the project should identify the investment in terms of governmental objectives (e.g., education, transportation, health and human services, public safety, or other government verticals). With this information and an overarching plan for how tax dollars should be spent, government officials on the CIO's board can make informed decisions about competing IT investments. Once selected, projects must be managed to ensure delivery of the proposed value, and results must be carefully measured against projections. Without this rigorous management, California will have difficulty harvesting promised benefits.

#### **Guiding Principle #4 – Flawless Execution**

Any governance structure responsible for management of IT should enhance the ability of the state's IT community to execute flawlessly. In addition to involvement in project selection, IT management at the enterprise level must insure that projects are successfully managed, including being on time, on budget, and delivering the intended benefit. To insure effective management, competent project and contract managers and procurement and negotiation specialists, must be "built or bought." If the skills are purchased in the open market, prevailing wages for state employees may not attract the best and brightest, requiring some accommodation in salaries. If the skills are built in-house, California universities can play an important role in developing and delivering consistent high quality training.

During project execution, in addition to the skilled professionals who are managing the projects, independent oversight will be critical to success. A project management office at the enterprise level is commonly used to monitor projects and provide specialty services such as independent validation and verification of project progress and deliverables.

#### **Guiding Principle #5 – Robust Operations**

In these days of uncertainty, it is more important than ever for government to be resilient in the face of any adversity- to be there when no one else is. For an enterprise IT organization to be successful, there must be a plan against failure. Taking a cue from the financial industry in New York City in 2001, IT operations can be designed for resilience despite localized failures. This goal can be facilitated by operating infrastructure at the enterprise level.

#### **Guiding Principle #6 – Consolidate IT Policy, Procurement and Operations**

The CIO must function as a kind of corporate office for IT. In addition to an oversight function, the CIO should promulgate IT policy that is informed by practitioners. State and local commodity IT procurements should be aggregated at the enterprise level so that volume can be leveraged for the best prices and products. Infrastructure components such as telecommunications, e-mail, data centers and the enterprise portal should be consolidated for optimal operation. Responsible consolidation means economies of scale, interoperability, and consistent, effective security.

Consolidated services should operate as a cost center. In a state the size of California, a very small surcharge on the services (probably under 1 percent) should be adequate to fund the oversight function.

A dilemma is created whether agencies are required to participate in the enterprise operation or not. If agencies are *not* required to participate in the enterprise operations and buy off of enterprise contracts, oversight may be perceived to have a conflict of interest - that is, agencies may see the oversight function forcing them to buy from the contracts. If agencies *are* required to participate, there is danger that complacency will set in and lead to sub-optimal pricing and performance. The latter dilemma can be solved by engaging an independent provider to benchmark performance and pricing against best of breed on an annual basis.

## **Conclusion**

To be successful, IT must work for the people of California. The CIO must have a seat at the table when the business of government is discussed by executive officers. The enterprise office must have influence over appropriations to insure adherence to policy, plans and processes. Applying the basic concepts of financial portfolio management will insure that California is investing in IT projects that support statewide goals and provide a measurable result. Independent oversight and well trained state employees will ensure that the results are delivered. To ensure against interruption in state services, IT operations must be designed for robustness and resiliency. Finally, consolidating commodity infrastructure will result in economies of scale and more reliable performance. Services can generate revenue to offset the cost of operations of the enterprise IT office.